

Message Text

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ORIGIN NEA-12

INFO OCT-01 ISO-00 AID-20 EB-11 MC-02 L-03 DODE-00 PM-07

NSC-10 SPC-03 SS-20 RSC-01 TRSE-00 H-03 PA-04 PRS-01

USIA-15 /113 R

DRAFTED BY NEA/TUR:NMMURPHY:CF

APPROVED BY NEA:RPDAVIES

NEA/TUR - MR DILLON

TREAS - MR CROSSWHITE (SUBS)

PM - MR SMITH

----- 024824

P 172050Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA PRIORITY

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E.O. 11652: N/A

TAGS: MASS, TU

SUBJ: SALE OF F-4S: FY 74 CREDIT ASSISTANCE FOR TURKEY

1. IN DECEMBER 13 CALL ON ACTING ASSISTANT SECRETARY DAVIES, TURK AMB ESENBEL SAID THAT HE HAD BEEN AUTHORIZED TO "NEGOTIATE" AND SIGN INTERIM CREDIT AGREEMENT. HE SAID HE HAD BEEN INSTRUCTED ASK USG RECONSIDER PLAN FOR MIX OF DIRECT AND GUARANTEED COMMERCIAL CREDITS FOR TURKEY FOR FY 74 AND TO CONTINUE ALL DIRECT CREDITS. GOT WAS CONCERNED, HE SAID, BY USG CHANGING TERMS OF AN AGREEMENT IN ONLY ITS SECOND YEAR OF OPERATION.

2. DAVIES REPLIED THAT USG HAD INTENDED PROVIDE TURKEY WITH ALL DIRECT CREDITS FOR F4 PROGRAM THIS FISCAL YEAR BUT THIS HAD NOT BEEN POSSIBLE. HE THEN LISTED REASONS WHY WE HAD BEEN OBLIGED MOVE TO MIX OF DIRECT AND INDIRECT CREDITS FOR A NUMBER OF COUNTRIES INCLUDING TURKEY. BASIC REASON IS THAT WHILE CONGRESS HAD CUT ADMINISTRATION REQUEST FOR TOTAL FMS PROGRAM FOR FY 74

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BY ONLY 30 MILLION DOLS. (FROM 760 MILLION DOLS. TO

730 MILLION DOLS.), NEW OBLIGATIONAL AUTHORITY HAD BEEN REDUCED 200 MILLION DOLS. BELOW THE ADMINISTRATION REQUEST OF 525 MILLION DOLS.

2. ESENBEL THEN INQUIRED WHETHER*IT WOULD BE POSSIBLE FOR USG TO ACT AS "AGENT" FOR TURKEY, RELIEVING TURKEY

OF NECESSITY OF ACTUALLY SIGNING AGREEMENTS WITH U.S. COMMERCIAL BANKS. DAVIES REPLIED THAT TO HIS KNOWLEDGE THIS HAD NEVER BEEN DONE BEFORE BUT PROMISED FULLER RESPONSE NEXT DAY. DECEMBER 14 TUR COUNTRY DIRECTOR DILLON INFORMED EMBASSY DCM YEGEN THAT THIS QUESTION HAD BEEN THOROUGHLY EXPLORED BY USG LEGAL AUTHORITIES AND THERE NO WAY RELIEVE GOT OF NECESSITY SIGNING AGREEMENT WITH COMMERCIAL BANKS, THOUGH USG WOULD ASSIST IN ALL ARRANGEMENTS PRIOR TO SIGNING. (COMMENT: ESENBEL'S EXPLANATION OF WHY GOT DID NOT WISH SIGN AGREEMENT WITH COMMERCIAL BANKS APPEARS BE BASED LARGELY ON PSYCHOLOGICAL FACTORS; GOT IS AVERSE TO PURCHASING ARMS WITH MONEY BORROWED FROM FOREIGN COMMERCIAL BANKS AND PREFERS DEAL ONLY WITH FOREIGN GOVERNMENTS FOR THIS KIND OF ARRANGEMENT.)

3. WE NOW PROVIDING INFORMATION ON TECHNICAL POINTS RAISED BY TURKS AND WE ARE HOPEFUL THAT INTERIM CREDIT AGREEMENT CAN BE SIGNED SHORTLY. FYI: IN RESPONSE TO QUESTION WE HAVE ASSURED TURKS THAT REPAYMENTS WILL CONSIST OF 20 EQUAL AMOUNTS AND THAT WITH EXCEPTION OF GUARANTEE AND COMMITMENT FEES THERE WILL BE NO ADDITIONAL BURDEN ON GOT AS RESULT OF MIX OF DIRECT AND COMMERCIAL CREDIT. THEY HAVE INDICATED NO OBJECTION TO GUARANTEE/COMMITMENT FEES. RUSH

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